Potential For Northeastern Pennsylvania Firms

In the first rush to use this new lease tax credit trading system, small to medium sized companies generally did not participate. Legal and financial talents to undertake such an effort are required in order to protect the interest of various companies. The larger firms traded, and the experience generated by them may now lead to smaller and medium sized companies taking advantage of this new provision. Details concerning the means by which trading can take place are found in the guidelines issued by the Department of the Treasury in October, 1981 and final clarification of some crucial points were issued just before the November 13 deadline for used equipment. The Financial Accounting Standards Board did not issue an outline of how such transactions could be recorded until October 29, 1981.

Businesses and firms in Northeastern Pennsylvania wishing to take advantage of the new provisions should contact their legal and accounting advisors. The Economic Development Council of Northeastern Pennsylvania (EDCNP) would be happy to provide additional information concerning the Treasury Department regulations, and has several articles on the subject which might be of interest to potential users.

Some New Ways To Do Business

One activity which has been uncovered as a result of the new Act is the development of a second tier market for tax oriented leases. For example, a leasing forum was held in New York that brought a range of buyers and sellers together to conduct face to face bargaining. This resulted in tax benefits being exchanged on $92 million of assets. Such a venture might be of interest to Northeastern Pennsylvania businesses and corporations.

Summary

The tax lease trading business may well result in an even greater set of transactions in 1982, as more businesses become familiar with the new law. On the other hand, Congress may be in a position wherein it has to tighten the regulations even further in order to restrict loss of tax money to the U.S. Treasury. Whether or not the latter occurs, any business or firm desiring to pursue the possibility of trading tax credits should undoubtedly do so in the early part of 1982, since it should not be assumed that changes will not be made concerning the leasing tax credit system outlined in this Bulletin.

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